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THE SANCTUARY, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/10/08

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RICHARD C. URBAN

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Sanctuary, Inc.  
Eunice, Louisiana

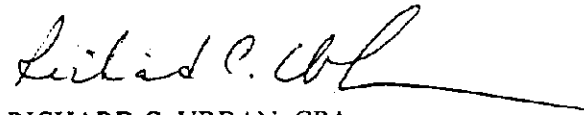
We have audited the accompanying financial statements of The Sanctuary, Inc. (a nonprofit organization) as of and for the year ended June 30, 2007, which collectively comprise the company's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Sanctuary, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2008, on our consideration of The Sanctuary, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of The Sanctuary, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
RICHARD C. URBAN, CPA

Opelousas, Louisiana  
October 15, 2008

THE SANCTUARY, INC.  
BALANCE SHEET  
June 30, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 6,084
Accounts receivable	77,359
Other receivables	2,113
Prepaid expenses	<u>13,723</u>
Total current assets	<u>99,279</u>

RESTRICTED ASSETS

Cash reserves	<u>39,630</u>
Total restricted assets	<u>39,630</u>

PROPERTY AND EQUIPMENT

Land and buildings	953,359
Furniture and equipment	163,213
Transportation equipment	<u>59,464</u>
	1,176,036
Less accumulated depreciation	<u>383,472</u>
Total property and equipment	<u>792,564</u>

TOTAL ASSETS	<u><u>931,473</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Note payable	10,000
Current maturities of long-term debt	16,895
Accounts payable	43,483
Salaries payable	4,464
Other accrued expenses	<u>53,348</u>
Total current liabilities	<u>128,190</u>

LONG-TERM DEBT	<u>556,568</u>
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Total liabilities	<u>684,758</u>
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NET ASSETS

Invested in capital assets, net of related debt	219,101
Unrestricted	<u>27,614</u>
Total net assets	<u>246,715</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>931,473</u></u>
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See notes to financial statements.

**THE SANCTUARY, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2007**

**SUPPORT AND REVENUE**

Client per diem	\$ 850,112
Grants	49,420
Miscellaneous	21,783
Gain on sale of assets	5,847
Interest	<u>879</u>
Total support and revenue	<u>928,041</u>

**EXPENSES**

Salaries and fringe benefits	516,402
Other expenses	69,757
Operating services	283,160
Operating supplies	98,662
Interest expense	30,389
Tutorial expense	<u>8,641</u>
Total expenses	<u>1,007,011</u>

Change in net assets ( 78,970)

Net Assets at beginning of year 325,685

Net Assets at end of year 246,715

See notes to financial statements.

**THE SANCTUARY, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2007

<u>Cash Flows from Operating Activities</u>	
Change in Net Assets	\$( 78,970)
Adjustments to reconcile change in net assets to net	
Cash provided by operating activities:	
Depreciation	42,678
(Increase) Decrease in:	
Accounts receivable	( 6,982)
Other receivables	( 2,035)
Prepaid expenses	7,977
Cash reserves	27,609
Increase (Decrease) in:	
Accounts payable	28,162
Salaries payable	( 1,147)
Other accrued expenses	<u>5,090</u>
Net Cash Provided (Used) By Operating Activities	<u>22,382</u>
<u>Cash Flows from Financing Activities</u>	
Proceeds from debt	23,508
Payments on long-term debt	( <u>15,542</u> )
Net Cash Provided (Used) By Financing Activities	<u>7,966</u>
<u>Cash Flows from Investing Activities</u>	
Acquisition of fixed assets	( <u>57,919</u> )
Net Cash Provided (Used) By Investing Activities	( <u>57,919</u> )
Net Increase (Decrease) in Cash	( 27,571)
Cash, beginning of year	<u>33,655</u>
Cash, end of year	<u><u>6,084</u></u>

See notes to financial statements.

THE SANCTUARY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Sanctuary, Inc. is a non-profit organization formed to provide shelter and counseling to troubled juveniles. The majority of funding comes from the State of Louisiana Department of Health and Human Resources. The organization operates a boys home and a girls home with anywhere from eight to fourteen juveniles in each home.

Fixed Assets

Property and equipment are recorded at cost. Depreciation is provided for using the straight-line method over the assets' estimated useful lives as follows:

Equipment and furniture	5 years
Leasehold improvements	10 years
Transportation equipment	5 years
Buildings	40 years

Depreciation expense totaled \$42,678 for the year ended June 30, 2007. Land cost not being depreciated totaled \$65,676.

Income Taxes

The Sanctuary, Inc. is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c).

Donated Materials and Services

Donations, when received, are reflected as contributions in the financial statements at their estimated fair market values at the date of receipt.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The organization has no temporary or permanently restricted contributions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE SANCTUARY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), and Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations.

**NOTE 2 CASH AND CASH EQUIVALENTS**

At June 30, 2007, the carrying amount of the organization's deposits totaled \$45,714. All cash deposits were adequately secured by FDIC insurance.

**NOTE 3 RESTRICTED CASH**

Restricted cash consists of personal needs allowances and clothing allowances paid under the various contracts to the clients, that have not been expended. A corresponding liability to the clients in the same amount is also recorded. Also included in restricted cash are tutorial funds on hand at June 30, 2007. These funds are restricted in their use according to the contract between the organization and the St. Landry Parish School Board.

Restricted cash also includes a reserve account required by Rural Community Development as part of the loan agreement, which calls for the organization to accumulate monthly at \$340 per month until the fund reaches \$40,800.

Restricted cash at June 30, 2007 is as follows:

Client funds	\$ 1,291
Tutorial funds	36,446
Reserve account	<u>1,893</u>
	<u>39,630</u>

**NOTE 4 ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts due from the Department of Health and Human Resources and are accounted for on the accrual basis of accounting. All amounts are considered collectible; therefore no allowance for uncollectible is required.

**NOTE 5 GRANTS**

The organization has entered into a contract with the St. Landry Parish School Board, as an agent for Chapter I funds, for providing tutorial services directly related to students who comply with Chapter I regulations and requirements, and reside at the homes. Upon completion of the contract, any and all unobligated funds are to be refunded to Chapter I. The organization recognizes as revenues and expenses only the amounts actually used.



THE SANCTUARY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE 6 COMPENSATED ABSENCES PAYABLE

Full time employees of the organization are entitled to paid vacation depending on length of service and other factors. Accrued vacation costs are included in other accrued liabilities in the amount of \$3,426 at June 30, 2007.

NOTE 7 LONG-TERM DEBT

The Sanctuary, Inc. originally borrowed \$632,000 from RECD to fund the construction of the boys home. The terms of the loan are monthly payments in the amount of \$3,401 at 4.875% interest per annum amortized over a 30 year payment schedule beginning July, 2001. The organization is also required by RECD to fund a reserve account monthly in the amount of \$340 or until \$40,800 is accumulated in that account.

This loan is secured by a promissory note, a pledge of revenues from the operation of the organization, and real estate mortgages on the 10 acre boys development and the real estate known as The Sanctuary Girls Home.

The breakdown on the loan at June 30, 2007, is as follows:

Note payable – Rural Community Development	\$562,452
Less current maturities	<u>( 14,033)</u>
Long-term Debt	<u>548,419</u>

Principal payments due over the next five years are as follows:

2008	14,033
2009	15,290
2010	16,501
2011	17,837
2012	19,246

The Sanctuary, Inc. financed the acquisition of two copy machines through Citicorp Vendor Finance on September 30, 2006. The terms of the loan call for monthly payments of \$297.60 at 14% interest per annum amortized over a 54 month period beginning October 30, 2006. The loan is secured by the copy machines.

The breakdown on the loan at June 30, 2007, is as follows:

Note payable – Citicorp Vendor Finance	\$ 11,011
Less current maturities	<u>( 2,862)</u>
Long-term Debt	<u>8,149</u>

THE SANCTUARY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

Principal payments due to maturity are as follows:

2008	2,862
2009	3,610
2010	4,539

**NOTE 8 NOTE PAYABLE**

The Sanctuary, Inc. set up a line of credit with Hancock Bank to enable the organization to pay its bills between reimbursement periods. The maximum amount of the line is \$10,000, and is to be repaid within sixty days, plus interest at the prevailing rate. The loan is unsecured.

**NOTE 9 RELATED PARTY TRANSACTIONS**

There were no related party transactions during the year ended June 30, 2007.

**NOTE 10 CONCENTRATION OF RISKS**

Since the organization is dependent upon the State of Louisiana Department of Health and Human Services for the majority of its funding, the organization is potentially subject to a concentration of risk in its revenue collections.

**NOTE 11 DIRECTOR COMPENSATION**

The Board of Directors of the organization serves without pay.

# RICHARD C. URBAN

CERTIFIED PUBLIC ACCOUNTANT

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To the Board of Directors  
The Sanctuary, Inc.  
Eunice, Louisiana

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of The Sanctuary, Inc. as of and for the year ended June 30, 2007, and have issued our report thereon dated October 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above (See Findings and Questioned Costs).

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Sanctuary, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance that were required to be reported under Government Auditing Standards (See Findings and Questioned Costs).

This report is intended for the Board of Directors, management, the State of Louisiana Department of Health and Human Services, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read "Richard C. Urban", with a stylized flourish at the end.

RICHARD C. URBAN, CPA

Opelousas, Louisiana  
October 15, 2008

## SUPPLEMENTAL INFORMATION

THE SANCTUARY, INC.  
SCHEDULES OF SALARIES AND FRINGE BENEFITS  
AND OTHER EXPENSES  
For the Year Ended June 30, 2007

Salary and Fringe Benefits

Salaries	\$ 441,603
Payroll taxes	38,310
Health insurance	<u>36,489</u>
	<u>516,402</u>

Other Expenses

Accreditation	\$ 4,618
Personnel travel	10,841
Depreciation	42,678
Taxes and licenses	9,096
Miscellaneous	<u>2,524</u>
	<u>69,757</u>

THE SANCTUARY, INC.  
SCHEDULES OF OPERATING SERVICES  
AND OPERATING SUPPLIES  
For the Year Ended June 30, 2007

Operating Services

Insurances	\$ 113,364
Repairs and maintenance	72,973
Dues and subscriptions	1,967
Utilities	29,690
Telephone	11,746
Legal and accounting	11,482
Counseling and Therapy	37,190
Program development	<u>4,748</u>
	<u>283,160</u>

Operating Supplies

Supplies	\$ 13,499
Advertising	1,364
Office supplies	14,300
Gas, oil and tires	13,005
Medical	1,014
Personal needs	2,676
Clothes and shoes	1,842
Allowances	4,936
Food items	38,282
Recreation expense	5,393
Administrative meals	1,912
Furniture and improvements	<u>439</u>
	<u>98,662</u>

THE SANCTUARY, INC.  
SCHEDULE OF INSURANCE  
June 30, 2007

<u>Insurer</u>	<u>Type</u>	<u>Coverage</u>	<u>Policy Period</u>
Progressive Insurance Company	Auto liability Uninsured motorist	\$1,000,000 1,000,000	1/27/07-1/27/08
CNA	Employee dishonesty	\$ 50,000	2/27/07-2/27/08
LWCC	Workers Comp	Standard	Monthly
London American Risk	Property Building No. 1 Contents Shed	\$180,000 24,000 32,000	1/27/07-1/27/08
	Building No. 2 Contents	600,000 100,000	
Travelers Ins. Company	Directors and Officers Liability	\$100,000	5/04/07-5/04/08
General Star Indemnity Insurance Company	General Aggregate Product liability Personal injury Each occurrence limit Fire damage limit Medical expense limit	\$2,000,000 1,000,000 1,000,000 1,000,000 100,000 5,000	1/27/07-1/27/08



**THE SANCTUARY, INC.**  
**STATUS OF PRIOR AUDIT FINDINGS**  
June 30, 2007

**Finding 2006-C1 – Late Submission of Audit Report**

The prior audit report was not submitted within six months of the organization's fiscal year-end, in compliance with Louisiana law.

Management responded that they were aware of this problem and have contracted to bring all of the past due audits up-to-date. The legislative auditor's office has approved the contract and the time frame for providing the required reports.

Until all past due reports are brought up-to-date, this finding will remain open.

THE SANCTUARY, INC.  
FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007

**FINDING 2007-C1 - LATE SUBMISSION OF AUDIT REPORT**

**Finding:** The Sanctuary, Inc. contracted and submitted its June 30, 2007 audit report late.

**Requirement:** Louisiana law requires that any organization receiving over \$100,000 of state aid should provide an audit report to the Legislative Auditor within six months of its year end.

**Recommendation:** We recommend that management take every necessary step to bring its audit reports up to date.

**Response:** Management was not aware of the state audit law. Until recently the funding agency had not requested copies of the audit report. Turnover within the organization's management over the past five years created a situation where no one in authority was aware of the reporting requirements.

Management has contracted to bring its audit reports up to date. The legislative auditor's office has approved the auditor and a time frame for providing the necessary reports.

**FINDING 2007-C2 - UNAUTHORIZED USE OF RESERVE FUNDS**

**Finding:** The former Executive Director used reserved funds for operations without receiving approval from the oversight agencies. These actions have caused the organization to be in violation of its loan agreement with RECD and its tutorial contract with the St. Landry Parish School Board.

**Requirement:** The loan agreement with RECD requires the funding of a reserve account in the amount of \$340 per month until \$40,800 is accumulated in the account. Any use of the funds in this account is prohibited unless written approval is obtained from RECD. The contract between the organization and the St. Landry Parish School Board restricts the use of tutorial funds from year to year. These funds are not to be used for any other purpose unless written approval is obtained from the school board.

**Recommendation:** The organization should replace all monies to the reserve accounts from its operating accounts to the necessary levels. If this is not feasible, the organization should notify and get written permission from the St. Landry Parish School Board and RECD to use these funds.

**Response:** The new Executive Director and the Board have agreed to obtain written approval for the use of these funds.

**FINDING 2007-C3 - UNAUTHORIZED PAY RAISES**

**Finding:** The former Executive Director gave several pay raises without Board approval.

**Requirement:** The organizations policies and procedures call for all pay raises to be approved by the personnel committee and then the full Board of Directors.

**THE SANCTUARY, INC.**  
**FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2007**

**Recommendation:** The Board should cut the pay of the affected employees to the level prior to the unauthorized raises. Also, a determination should be made as to whether any unauthorized payments should be reimbursed. If the Board elects to leave the raises in effect, their decision to do so should be clearly documented in the minutes.

**Response:** The Board has elected to leave the raises in effect. However, the Executive Director was terminated for this and other detrimental actions.

**FINDING 2007-C4 – UNAUTHORIZED CONTRACTING FOR SERVICES**

**Finding:** The former Executive Director hired various contractors for legal, accounting, and repair services without obtaining board approval. This created several budget overruns and led to a cash flow problem.

**Requirement:** The organization's policies and procedures call for board approval of all contracts for services.

**Recommendation:** The board should make sure that all of its policies and procedures concerning contracting for services are followed.

**Response:** The Board is making every effort to ensure that all of its policies and procedures are being followed. The former Executive Director was terminated for this and other detrimental actions.

**FINDING 2007-C5 – FAILURE TO RENEW STATE OCS CONTRACT**

**Finding:** The former Executive Director failed to timely renew one of the state contracts for providing reimbursements to the organization. This has significantly impacted the type and number of children the organization can house. The former Executive Director failed to inform the Board of this occurrence.

**Requirement:** The organization is required to timely renew all of its contracts for reimbursement with the state. Failure to do so could result in the loss of children to be housed and the loss of reimbursements.

**Recommendation:** The Board of Directors and the new Executive Director should make every effort to get all of the organization's contracts up-to-date. All compliance issues from state monitoring visits need to be addressed in a timely manner.

**Response:** The Board and the new Executive Director are working closely with the state OCS to renew the organization's contract.

THE SANCTUARY, INC.  
FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007

MANAGEMENT COMMENTS

Subsequent Events

Prior to the issuance of our report it was noted that the organization is approximately \$55,000 in arrears to the Internal Revenue Service for payroll taxes. This is for the fiscal year ended June 30, 2008. The organization has entered into a payment arrangement with the IRS calling for monthly installments of \$800 on the arrears balance, while timely depositing its current tax obligations.

The organization is still trying to renegotiate its OCS contract. This will enable the organization to house more children and increase its per diem reimbursements.

As of the date of our report the organization is more than sixty days delinquent to several of its vendors. Payment arrangements have been made with several of them to bring these old balances up-to-date.